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April 24, 2019

Docket Control
ARIZONA CORPORATION COMMISSION
1200 W Washington Street
Phoenix, Arizona 85007

RE: Commission Investigation into Campaign Expenditures and Political
Participation of Arizona Public Service Company and its Affiliates
Docket No. E-01345A-19-0005

On March 29, 2019, APS and Pinnacle West voluntarily responded to requests for information from Chairman Burns and Commissioner Dunn in Docket No. E-01345A-19-0043. In that letter, I noted that the Pinnacle West 2018 Political Participation Policy (Policy), which includes 2018 political spending, would be released on April 15, 2019.

APS and Pinnacle West also voluntarily responded to Commissioner Kennedy's request for information in the above docket and provided copies of the Policy for the years 2015 through 2017.

The 2018 Policy has been released and a copy is attached to this letter as K-ACC00051. The policy can also be viewed at this link:

<http://www.pinnaclewest.com/about-us/corporate-governance/Political-Participation-Policy/default.aspx>

Sincerely,

Barbara Lockwood

BL/bgs
Attachments

Arizona Corporation Commission

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Political Participation Policy

April 2019

1. PURPOSE

1.1. Pinnacle West Capital Corporation ("Pinnacle West", "we" or "the Company") participates in the democratic process to advance our long-term business interests and the interests of our customers, communities and shareholders. We believe that broad political participation contributes to a strong democracy, promotes good government and encourages sound policymaking.

1.1.1. Our company's principal subsidiary, Arizona Public Service Company ("APS") has the responsibility to provide customers in our service territory with safe, reliable and affordable electricity. Because Pinnacle West and APS participate in a wide range of business activities to fulfill this responsibility, policy decisions at the federal, state and local levels can have profound impacts on virtually all aspects of our business.

1.1.2. Our experience and expertise give us an informed perspective on how public policy can affect our company, our customers, our communities, and Arizona's energy future. We have a responsibility to our customers, communities and shareholders to participate in the political process, when appropriate, so that our perspectives are heard and so that we can develop productive working relationships with governmental decision-makers.

1.2. The purpose of this Policy is to promote compliance with all applicable federal, state and local laws, rules, and regulations surrounding political contributions by Pinnacle West in a manner consistent with our values. This Policy also describes our decision-making and oversight processes for political spending and for reporting of political contributions, in which processes both management and our Board of Directors play important roles.

2. POLICY STATEMENTS

2.1. As one of the largest and longest-serving local businesses in Arizona, Pinnacle West takes its commitment to corporate citizenship seriously. Being a good corporate citizen may include being informed about issues, encouraging our employees to volunteer and participate in their communities, speaking publicly about the issues of the day, sponsoring a political action committee and, where permitted by law, considering the contribution of corporate funds to political candidates,

political parties, political action committees, and organizations that engage in political activities. These activities may also include independent expenditures, or the sponsoring of a political action committee that engages in independent expenditures, in relation to elections of candidates to office, get-out-the-vote efforts, and ballot initiatives and referenda. In general, a political expenditure is independent when it is not made in cooperation, consultation, or at the request or suggestion of a candidate, a candidate's agent or authorized political committee, or a political party.

2.2. Many factors guide our political contribution decisions. In general, we may support candidates and organizations that share an interest in public policy that furthers our business objectives and promotes our mission of creating a sustainable energy future for Arizona. The Company's contribution decisions are based on what is in the best interests of Pinnacle West and not based on the personal preferences of our executives.

2.3. We do not make corporate contributions to political candidates or office holders where prohibited by law. Arizona law prohibits companies from making political contributions to candidates for Arizona offices. Under no circumstances will any political contribution be given in anticipation of, in recognition of, or in return for any official act.

2.4. We may contribute to entities organized and operating under section 527 of the Internal Revenue Code. These organizations are established primarily for the purpose of influencing the outcome of elections of candidates for public office. We may also use corporate funds to make independent expenditures or to contribute to organizations engaged in lobbying or political campaign activity or that make independent expenditures at the federal, state or local level, as permitted by law.

2.5. Pinnacle West may directly sponsor a registered political action committee that engages in independent expenditures concerning specific candidates, initiatives, or referenda. Pinnacle West is committed to ensuring that any separate sponsored political action committee meets or exceeds any reporting requirements to the various governmental agencies that collect contribution and expenditure data.

2.6. Pinnacle West may participate in federal, state, and local issues through membership in trade associations, which we join to represent various business and industry interests. In addition, we actively promote the economic health of the jurisdictions we serve through our activities with chambers of commerce. Pinnacle West supports many charitable and non-profit organizations that

support a variety of community and educational endeavors. These organizations, in turn, are at times actively involved in promoting social welfare missions to our elected leaders. Depending on their roles, any of these organizations may be subject to lobbyist registration and disclosure reporting obligations, with their reports made public by federal and state agencies overseeing lobbying activities.

2.7. Pinnacle West discloses its political contributions if required by law. In addition, we will provide a voluntary annual report of contributions subject to this Policy as set forth in Section 5 below. The report will be posted to our website as part of this Policy not later than April 15 of the succeeding calendar year. We expect those organizations in which we are members or to whom we provide contributions to meet their own obligations to report the Company's contribution to the appropriate government authorities.

3. THE PINNACLE WEST POLITICAL ACTION COMMITTEE

3.1. Pinnacle West encourages its employees to be active members of their communities. Along with participation in civic, charitable and volunteer activities, this includes participation in the political process. All eligible employees of Pinnacle West may make voluntary contributions to the Pinnacle West Political Action Committee ("PNWPAC"). The PNWPAC is a voluntary, nonprofit, non-partisan political association sponsored by Pinnacle West to provide an easy and effective means for eligible employees to become politically involved if they wish to do so.

3.2. The PNWPAC is directed by a board comprised solely of employees, which makes and approves all decisions regarding political contributions and budget. Potential contributions are reviewed by a five-member PNWPAC executive committee, which makes recommendations for contributions to be considered by the PNWPAC board. The articles of organization of the PNWPAC can be found [here](#). Applicable law permits administrative support of PNWPAC from Pinnacle West. PNWPAC provides timely disclosure of its political contributions as required by law.

3.3. Pinnacle West encourages employees to participate in the political process personally by voting and by supporting candidates of their choosing. Such participation is not in the Company's name or on its behalf. Employees will not be reimbursed for personal political contributions or expenses, either directly, through compensation increases, or otherwise.

3.4. Some Pinnacle West employees choose to serve their communities by holding public office. We encourage these employees and appreciate their spirit of public service. Employees of

Pinnacle West who wish to campaign for, or serve in, public office must first notify their supervisor and the Vice President of State and Local Affairs.

3.4.1. Employees are not permitted to campaign on work time; nor can they use company resources to further their campaigns. Employees must clearly communicate that they are acting as private individuals, that their views are their own, and that they are not representing or endorsed by the Company.

3.4.2. Employees who hold public office must recuse themselves from matters directly involving Pinnacle West. If an employee in public office is uncertain whether an issue directly affects Pinnacle West, he or she should contact the Senior Vice President of Public Policy.

4. OVERSIGHT

4.1. Corporate contribution decisions are made primarily by our Vice President, Federal Affairs, and Vice President, State and Local Affairs, based on the guidelines and objectives described in this Policy. These executives typically receive input from other members of our senior management team, including our Chief Executive Officer.

4.2. During each calendar year management reviews with the Corporate Governance Committee of the Board of Directors its anticipated governmental affairs strategies for the year, including the priorities for the Company's political expenditure and lobbying activities. During the year, management periodically reports to the Corporate Governance Committee on the progress of the Company's strategy, including any significant activities not encompassed within the initial strategy discussion. Following each of its meetings, the Corporate Governance Committee provides a summary to the Board of the matters involving political activities, which were discussed at the meeting. In addition, as part of its reporting responsibilities to the Board after year-end, management summarizes the actions taken in furtherance of its governmental affairs strategies during the year.

4.3. At least annually, the Corporate Governance Committee reviews this Policy and recommends to the Board any revisions it deems necessary. Our Board's oversight of our governmental affairs strategy ensures compliance with applicable law and alignment with our policies and Code of Ethics and Business Practices.

5. ANNUAL REPORT OF POLITICAL CONTRIBUTIONS

5.1. In 2018, Pinnacle West made the following contributions to political parties, political action committees, candidates for political office and other entities organized and operating under section 527 of the Internal Revenue Code:

Organization	Contribution
AZ GOP (Arizona Republican Party)	\$100,000
AZ Democratic Legislative Campaign Committee	\$2,500
Maricopa County Republican Party	\$5,000
Dodie Londen	\$25,000
Emerge	\$20,000
Maricopa County Democratic Party	\$35,000
Senate Leadership Fund	\$75,000

5.2. In 2018, Pinnacle West made the following payments to trade associations that may have been used for lobbying-related or other political activities as reported to us by the trade associations. These amounts are not permitted to be deducted as ordinary and necessary business expenses under the Internal Revenue Code:

Organization	Non-Deductible Portion of Dues/Payments
American Legislative Exchange Council	\$22,000
Edison Electric Institute	\$136,515
Nuclear Energy Institute	\$43,965
Arizona Tax Research Association	\$7,350

5.3. In 2018, Pinnacle West made the following payments to entities organized under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code which may have used some of the proceeds for independent political expenditures, including but not limited to ballot initiatives, or political campaign activities, as permitted by law:

Organization	Amount
Arizona Cattle Feeders' Association	\$350
Friends of Robert Meza	\$50,000
Democratic Lieutenant Governors Association	\$10,000
Republican Governors Association	\$200,000
Republicans Attorneys General Association	\$150,000

5.4. In 2018, Pinnacle West made the following independent political expenditures either directly or in support of an independent expenditure political action committee by the Company:

Organization	Amount
Arizonans for Affordable Electricity	\$39,675,000
Arizona Grassroots Action PAC	\$500,000
Committee to Elect Wes Duncan	\$500
Friends of Arizona	\$2,300
House Victory Fund	\$25,000
Senate Victory Fund	\$25,000
Morning in Nevada PAC	\$2,500
Defend US PAC	\$50,000
Senate Victory PAC	\$25,000

6. LINKS TO OFFICIAL REPORTS

6.1. Contributions to federal elections may be found on the Federal Elections Commission website at <http://www.fec.gov/pindex.shtml>.

6.2. Contributions to Arizona state and local elections can be found on the Arizona Secretary of State's website at <https://www.azsos.gov/elections/campaign-finance-reporting> and the Citizens Clean Elections Commission website at <http://www.ccec.state.az.us/en/resources>.

6.3. Reports on the Company's federal lobbying activity can be found on the websites of the U.S. House of Representatives at http://clerk.house.gov/public_disc/financial.aspx and the U.S. Senate at <http://www.senate.gov/legislative/lobbyingdisc.htm#lobbyingdisc=lda>.